

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

72 8112
A984F
cop. 2

U. S. DEPARTMENT OF AGRICULTURE • ECONOMIC RESEARCH SERVICE • June 1964 • FCR-23

97
U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

SEP 21 1964

CURRENT SERIAL RECORDS

COSTS and RETURNS



**Commercial
Tobacco
Livestock
Farms**

**Bluegrass Area,
Kentucky**

1963

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1963 costs and returns studies have been conducted on the following:

Dairy Farms, Northeast and Midwest
Corn Belt Farms
Egg-Producing Farms, New Jersey
Broiler Farms, Maine, Delmarva, and Georgia
Cotton Farms
Tobacco Farms, Coastal Plain, North Carolina
Tobacco-Livestock Farms, Bluegrass Area, Kentucky
Wheat Farms, Plains and Pacific Northwest
Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1963 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised, 1963.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C., 20250.

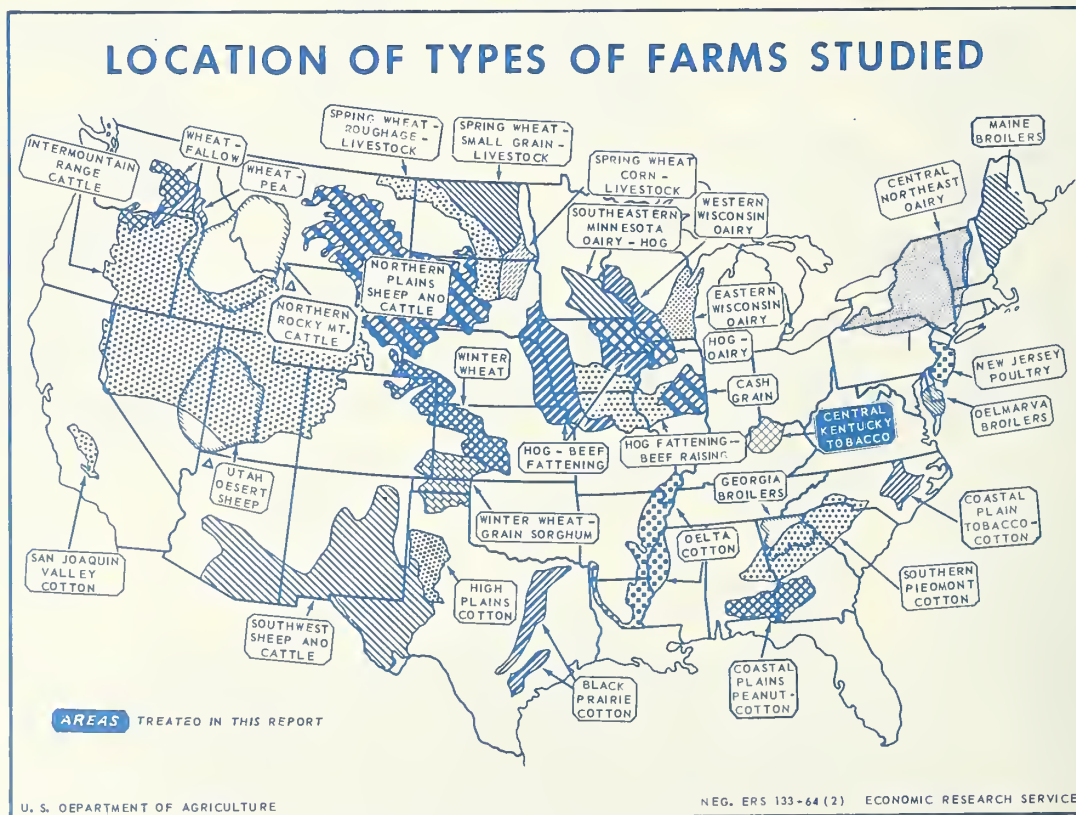


Figure 1

COSTS AND RETURNS COMMERCIAL TOBACCO-LIVESTOCK FARMS, BLUEGRASS AREA, KENTUCKY, 1963

Owen K. Shugars and John H. Bondurant¹

Operators of typical tobacco-livestock farms in the Bluegrass area of Kentucky realized higher returns in 1963 than in 1962 (figs. 1, 2 and table 1). Estimates of net farm incomes for 1962 and 1963 for three farm types in this important burley tobacco area were as follows:

	1962	1963	Percentage change
Tobacco-livestock farms, Inner Bluegrass area.....	\$7,836	\$9,796	25
Tobacco-dairy farms, Intermediate Bluegrass area...	2,809	3,238	15
Tobacco-dairy farms, Outer Bluegrass area.....	5,426	6,194	14

Returns were higher in 1963, mostly because of greater production per farm and a slight increase in the average price received for tobacco. The tobacco acreage was the same in both years. Major reasons for greater farm production in 1963 were record-high yields per acre of tobacco, increased milk production per cow, and a larger number of beef and milk cows per farm. Very favorable growing, harvesting, and curing weather conditions contributed greatly to the record yield of tobacco in 1963. Total acres of cropland harvested per farm increased slightly on the farms in the Inner area, declined slightly in the Intermediate area, and stayed about the same as in 1962 in the Outer area.

Tobacco-Livestock Farms, Inner Bluegrass Area

Gross farm income increased and operating expense declined slightly in 1963 on tobacco-livestock farms in the Inner Bluegrass area (table 2 and fig. 3). Increased production of tobacco and beef, principally feeder calves, and a higher average price received for tobacco were largely responsible for the higher returns. Cash receipts from tobacco, cattle, and calves were greater than in the preceding year, while those

from hogs, sheep, lambs, and wool declined slightly (table 3).

Prices received for tobacco in 1963 averaged \$1.35 per 100 pounds above 1962 and tobacco production per farm increased 2,424 pounds. The return from tobacco was up \$1,697 from the previous year. The beef cow-calf enterprise was larger and quantities of cattle and calves sold were greater than in 1962. However, the average price received for calves was down \$2.19 per hundred-weight and the price received for cull

¹ Agricultural Economist, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, and Professor of Agricultural Economics, University of Kentucky, respectively. The Kentucky Agricultural Experiment Station is a cooperator in the continuing study of costs and returns on tobacco-livestock farms in the Bluegrass area of Kentucky.

BLUEGRASS AREA OF KENTUCKY

Location of Types of Farms Studied

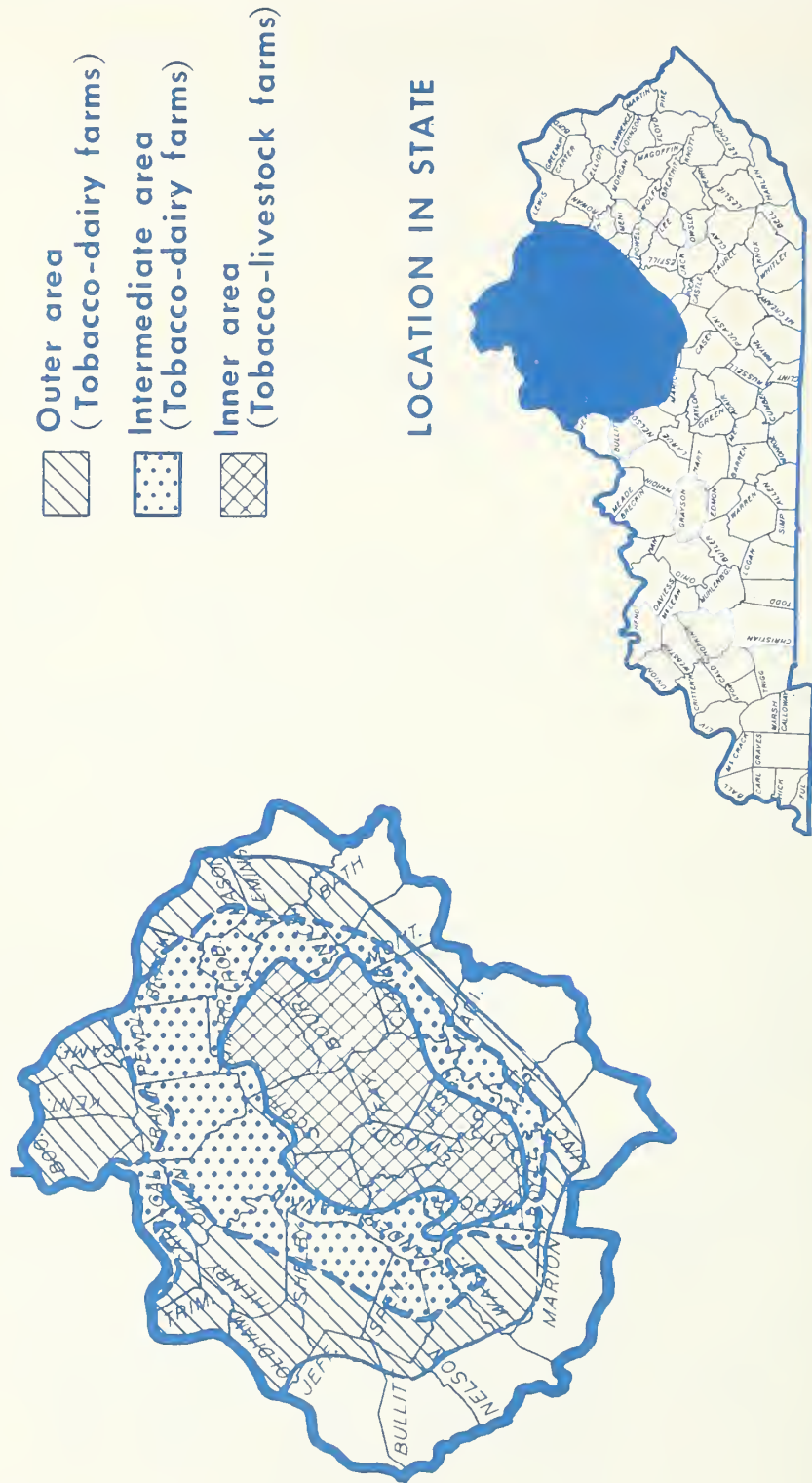


Figure 2

Table 1.- Size, organization, and production, tobacco-livestock farms, Bluegrass Area, Kentucky, 1962 and 1963

Item	Unit	Tobacco-livestock farms, :			Tobacco-dairy farms, :			Tobacco-dairy farms, :		
		Inner Bluegrass			Intermediate Bluegrass			Outer Bluegrass		
		Area	1962	1963 1/	Area	1962	1963 1/	Area	1962	1963 1/
Land in farm.....	Acre	216	217		115	115		132	132	134
Cropland harvested.....	do.	55.6	57.4		23.7	23.1		40.9	40.8	
Crops harvested:										
Tobacco.....	do.	8.3	8.3		2.4	2.4		3.3	3.3	3.3
Corn for grain.....	do.	11.0	10.2		5.7	4.7		7.3	7.2	7.2
Corn for silage.....	do.	---	---		---	---		4.7	4.6	4.6
Small grains.....	do.	3.0	3.7		---	---		2.0	2.0	2.2
Alfalfa.....	do.	18.0	18.9		8.9	9.0		12.0	12.1	12.1
Other hay.....	do.	15.3	16.3		6.7	7.0		11.6	11.4	11.4
Crop yields per harvested acre:										
Tobacco.....	Pound	1,958	2,250		1,785	2,090		1,952	2,210	2,210
Corn for grain.....	Bushel	73	86		64	70		77	82	82
Corn for silage.....	Ton	---	---		---	---		14.4	18.2	18.2
Wheat.....	Bushel	28	32		---	---		26	30	30
Alfalfa.....	Ton	2.5	3.1		2.0	2.0		2.5	2.8	2.8
Other hay.....	do.	1.5	1.8		1.6	1.6		1.4	1.6	1.6
Livestock on farm, Jan. 1:										
Beef cows.....	Number	30.5	34.6		---	---		---	---	---
Milk cows.....	do.	---	---		10.2	10.5		17.3	18.4	18.4
Brood sows.....	do.	2.8	2.9		---	---		1.3	1.3	1.3
Ewes.....	do.	52.4	47.4		---	---		---	---	---
Milk production per cow.....	Pound	---	---		6,100	6,340		7,080	7,390	7,390
Total farm capital, Jan. 1.....	Dollar	102,960	106,930		22,730	22,960		42,710	44,470	44,470
Land and buildings.....	do.	88,560	91,570		16,100	16,330		31,020	32,290	32,290
Machinery and equipment.....	do.	5,300	5,420		2,990	3,000		5,590	5,840	5,840
Livestock.....	do.	7,190	7,910		2,770	2,780		4,700	4,890	4,890
Crops.....	do.	1,910	2,030		870	850		1,400	1,450	1,450
Total labor used.....	Hour	4,870	4,940		3,590	3,570		4,800	5,000	5,000

1/ Preliminary.

Table 2.- Income, costs, and related data, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1962 and 1963

Item	Unit	Tobacco-livestock farms, : Tobacco-dairy farms, : Tobacco-dairy farms, : farms, Inner : Intermediate : Outer Bluegrass Bluegrass Area : Bluegrass Area : Area					
		1962	1963	1/	1962	1963	1/
		:	:	:	:	:	:
Gross farm income.....	Dollar	17,040	18,825	5,512	6,259	11,145	12,614
Operating expenses.....	do.	9,204	9,029	2,703	3,021	5,716	6,420
Net farm income.....	do.	7,836	9,796	2,809	3,238	5,429	6,194
Index numbers (1957-59=100):							
Net farm income.....	---	110	138	112	129	119	136
Net farm production.....	---	116	136	114	128	124	136
Operating expense per unit of production....	---	104	92	98	96	99	99
Production per unit of input.....	---	105	120	110	121	111	117
Prices received for products sold.....	---	96	96	96	97	97	98
Prices paid, including wages to hired labor..	---	104	107	104	107	106	108

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

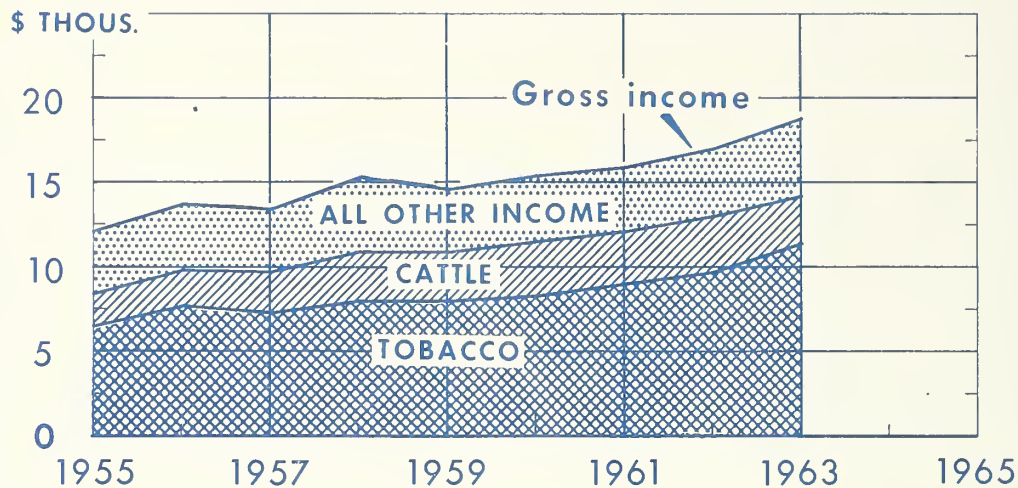
Table 3.- Gross farm income, tobacco-livestock farms
Bluegrass Area, Kentucky, 1962 and 1963

Item	:Tobacco-livestock farms, : Tobacco-dairy farms, :Tobacco-dairy farms, :				:Tobacco-dairy farms, :Tobacco-dairy farms, :Tobacco-dairy farms, :			
	Inner Bluegrass		Intermediate Bluegrass		Outer Bluegrass		Outer Bluegrass	
	Area	1962	1963 1/	Area	1962	1963 1/	Area	1962
	Dollars			Dollars	Dollars	Dollars	Dollars	Dollars
Total cash receipts.....	15,117		17,116	4,937	5,471	10,031	11,165	
Tobacco.....	9,682		11,379	2,528	3,046	3,816	4,343	
Cattle and calves.....	3,289		3,859	654	627	987	1,034	
Hogs and pigs.....	769		645	---	---	396	351	
Sheep, lambs, and wool.....	1,136		1,069	---	---	---	---	
Dairy products.....	---		---	1,620	1,711	4,741	5,344	
Other, including Government payments....	241		164	135	87	91	93	
Value of perquisites.....	1,438		1,471	607	615	899	911	
Change in inventory, crops and livestock..	485		238	-32	173	215	538	
Gross farm income.....	17,040		18,825	5,512	6,259	11,145	12,614	

1/ Preliminary.

GROSS FARM INCOME AND RECEIPTS FROM TOBACCO AND CATTLE

Tobacco-Livestock Farms, Inner Bluegrass Area, Ky.



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS-2757-64 (4) ECONOMIC RESEARCH SERVICE

Figure 3

cows declined slightly. Prices received for yearlings averaged a little higher than in 1962. Cash receipts from the sale of sheep, lambs, and wool were down slightly in 1963, because both quantities sold and prices received were a little below those in the previous year. The number of ewes per farm continued a downward trend in 1963. The number sold and prices received for feeder pigs and hogs also declined in 1963, and gross returns from the hog enterprise were below those of the previous year.

Despite the increase in production per farm and higher prices paid for production goods and services, operating expense was a little lower than in 1962 for operators in the Inner Bluegrass area. Purchases of feed in 1963 were down \$357 per

farm as a result of increased grain and hay production. Livestock purchases were below those of 1962. Machinery costs, including custom hire, increased in 1963 as did hired labor and expenditures on farm buildings and fences. Custom hire increased as a result of greater crop production and especially because of an increase in the use of custom services for the application of chemical materials in tobacco production. Some of this increase was offset by a decline in farmer-applied materials. The quantity of labor hired increased less than 1 percent, but wage rates were up nearly 3 percent, and the cost of hired labor exceeded that of 1962 by \$70 per farm. Prices paid for all goods and services used in production averaged nearly 3 percent above those in 1962.

Tobacco-Dairy Farms, Intermediate Bluegrass Area

Gross farm income for tobacco-dairy farms in the Intermediate Bluegrass area is estimated to be \$747 per farm above that of 1962 (fig. 4). This increase was partially offset by higher operating expense; net farm income increased by only \$429.

Tobacco production per farm was 17 percent above that of 1962 due to an increase of 305 pounds in the yield per acre. Also, the average price received for tobacco advanced \$1.71 per 100 pounds from the 1962 level. Consequently, cash receipts from tobacco overshadowed the corresponding 1962 return by \$518. Returns from the sale of dairy products were up \$91 per farm due to increased milk production. The average price received for manufacturing milk in 1963 was unchanged from a year earlier, but milk production per cow was up 244 pounds.

Operating expenses advanced in 1963 mostly because of increases in feed purchases and power and machinery costs. Feeding rates for milk cows were above those of 1962 and both the quantity purchased and prices paid for feed were greater in 1963. Prices paid for machinery and equipment were higher and the quantity purchased also increased. Expenditures for farm buildings and fences were below those in 1962, and other cost items were about the same in both years. Prices paid for all goods and services used in production averaged about 3 percent higher than in 1962.

Tobacco-Dairy Farms, Outer Bluegrass Area

Gross farm income on tobacco-dairy farms in the Outer Bluegrass area exceeded that in 1962 by \$1,469

per farm. However, operating expense was up about 12 percent and net farm income increased only \$765. Higher cash receipts from tobacco and milk were largely responsible for the greater returns in 1963.

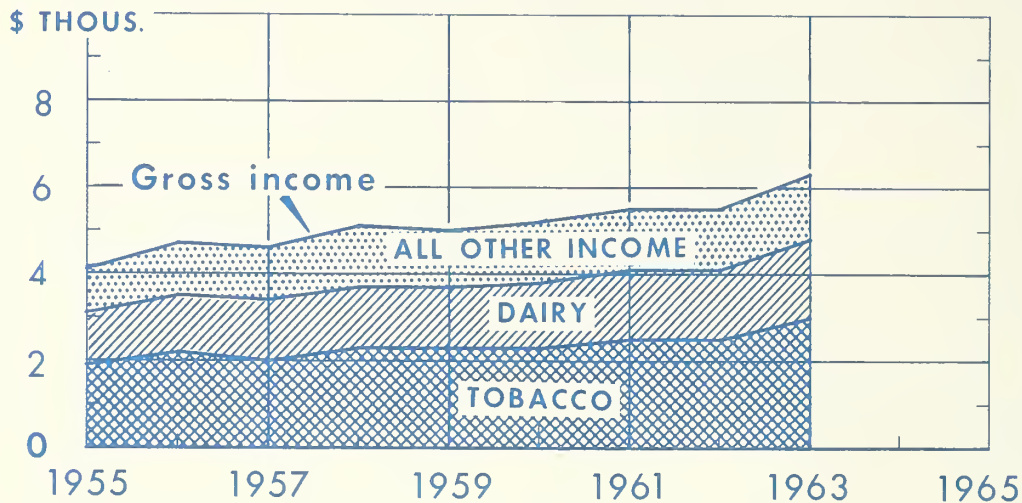
Milk sales increased more than \$600 per farm and tobacco receipts were up \$527. Milk production per cow was 4 percent higher in 1963; prices received for milk averaged \$4.34 per 100 pounds, 7 cents more than in the previous year. Tobacco production per farm was about 14 percent greater in 1963 because of an increase of 258 pounds per acre in yield. Prices received for tobacco averaged \$59.55 per 100 pounds in 1963 compared with \$59.24 in 1962.

Milk sales accounted for 42 percent of gross farm income in 1963 and tobacco sales 34 percent (fig. 5). Cash receipts from the dairy enterprise, including sales of calves and cull cows, provided more than 50 percent of the gross farm income on these farms in the Outer Bluegrass area.

The major expenditure items contributing to higher operating expenses in 1963 were feed purchases, and outlays for power and machinery including custom hire (table 4). More feed was bought in 1963 because of higher feeding rates and larger numbers of livestock per farm. Prices paid for feed were also higher in 1963. Machinery costs advanced because of increased purchases and higher prices paid for machinery and equipment. The cost of custom hire was above that in 1962 as a result of greater hay production and more use of custom services in the application of chemical materials for tobacco production. As was the case on farms in the Inner area, this represents a shift from farmer-applied materials and some increase in the overall use of chemical materials.

GROSS FARM INCOME AND RECEIPTS FROM TOBACCO AND DAIRY PRODUCTS

Tobacco-Dairy Farms, Intermediate Bluegrass Area, Ky.



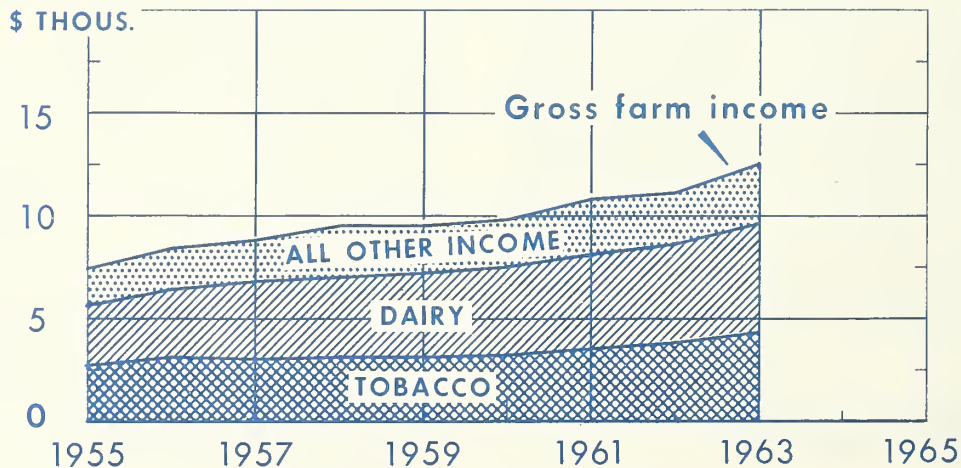
U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2758-64 (4) ECONOMIC RESEARCH SERVICE

Figure 4

GROSS FARM INCOME AND RECEIPTS FROM TOBACCO AND DAIRY PRODUCTS

Tobacco-Dairy Farms, Outer Bluegrass Area, Ky.



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2759-64 (4) ECONOMIC RESEARCH SERVICE

Figure 5

Table 4.- Operating expenses, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1962 and 1963

Item	:Tobacco-livestock farms,:				:Tobacco-dairy farms,:				:Tobacco-dairy farms,:			
	Inner Bluegrass		Intermediate Bluegrass		Outer Bluegrass		Outer Bluegrass		Outer Bluegrass		Outer Bluegrass	
	Area	Area	Area	Area	Area	Area	Area	Area	Area	Area	Area	Area
	1962	1963 1/	1962	1963 1/	1962	1963 1/	1962	1963 1/	1962	1963 1/	1962	1963 1/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total cash expenditures.....	9,204	9,013	2,618	2,932	5,823	6,557						
Feed purchased.....	1,098	741	228	382	973	1,319						
Livestock purchased.....	960	763	22	20	---	---						
Other livestock expense.....	188	196	80	85	182	221						
Fertilizer and lime.....	736	756	292	301	425	466						
Other crop expense.....	520	470	154	175	256	298						
Machinery.....	1,937	2,077	1,110	1,302	2,207	2,416						
Farm buildings and fences.....	830	920	221	129	550	540						
Labor hired.....	1,875	1,945	161	166	630	666						
Taxes.....	478	495	115	116	210	219						
Other.....	582	650	235	256	390	412						
Inventory adjustment, machinery and buildings..	0	16	85	89	-107	-137						
Total operating expenses.....	9,204	9,029	2,703	3,021	5,716	6,420						

1/ Preliminary.

U. S. Department of Agriculture
Washington, D. C., 20250

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICIAL BUSINESS